

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By **CHAIRMAN BILL GLASER**, on February 21, 2003 at 3:30 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Bill Glaser, Chairman (R)
Sen. Bob Story Jr., Vice Chairman (R)
Sen. Jerry W. Black (R)
Sen. Edward Butcher (R)
Sen. Mike Cooney (D)
Sen. Royal Johnson (R)
Sen. Jeff Mangan (D)
Sen. Don Ryan (D)
Sen. Tom Zook (R)

Members Excused: Sen. Jim Elliott (D)

Members Absent: None.

Staff Present: Tari Elam, Committee Secretary
Connie Erickson, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 441, 2/17/2003; SB 424,
2/17/2003; SB 382, 2/17/2003
Executive Action: SB 382; SB 323; SB 303; SB 92; SB
267; SB 212; SB 424

HEARING ON SB 441

Sponsor: SENATOR DON RYAN

Proponents: Stephen Conway, Chairman, Browning School Board
Stan Juneau, Superintendent, Browning Public Schools
Les Munro, Facilities & Construction Director, Browning Public Schools
Gwyn Andersen, Business Manager, Browning Public Schools
Robert Rides at the Door, Business Owner, Browning
Bob Vogel, Director of Government Relations, Montana School Boards Association (MTSBA)

Opponents: NONE

Informational Witnesses: Lynda Brannon, Director, Indian Impact Aid Schools of Montana

Opening Statement by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 0.9 - 4.6}

SENATOR DON RYAN, SD 22, Great Falls, brought forward a bill which authorizes a board of trustees to issue impact aid revenue bonds. He explained last session a bill was passed which would allow up to twenty-five percent (25%) of federal impact aid to be used as revenue, noting its' practical application has not met original expectations. Browning Public Schools is presently experiencing a real problem: they have rapidly increasing enrollment levels and no ability to build new schools. This bill puts a formula in place which will allow the district to rely upon expected impact aid to assist with those needs.

SEN. RYAN also provided the Committee with a summary of the bill as provided by a representative of Dorsey & Whitney
EXHIBIT(eds39a01)

Proponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 4.9 - 31.5}

{Tape: 1; Side: B; Approx. Time Counter: 1.2 - 8.5}

Stephen Conway, Chairman, Browning School Board, testified his district has been seeking solutions to their overcrowding situation for the past five or six years. The high school was built for three hundred twenty-five kids; at present, there are five hundred ninety-two students. **Mr. Conway** believes this bill will provide a vehicle to build either an elementary school or high school. Because the tax base is so limited in his district, the need for this type of solution is even greater. And, because the solution does not rely upon the state but depends upon money from their own resources, they believe this is the correct solution.

Stan Juneau, Superintendent, Browning Public Schools, conveyed his district's support of the bill. Reiterating comments of **Mr. Conway**, **Mr. Juneau** stated Browning is one of the few districts in the state experiencing growth. He also stated future projections regarding growth indicate continued expansion as families with children return to the area. He, too, stated overcrowding is a true concern.

Les Munro, Facilities & Construction Director, Browning Public Schools, conveyed his support for the bill. He testified one reason for his support arises from knowledge regarding the present financial situation of both the state and federal governments. He explained his district belongs to a national organization of impact aid schools to which the federal government appropriated \$48 million for facility construction; 26,000 schools nation-wide are vying for a portion of that money. Here in Montana, facilities are deteriorating and there are no funds available to build new ones. While some of the facilities are still usable, they are not really safe. He briefly outlined steps the district has taken to minimize overcrowding at every level. He also indicated his district has been told they may no longer utilize temporary (modular) facilities. **Mr. Munro** believes students deserve an opportunity to learn in a safe environment, and Browning Public Schools is trying to find a way to help themselves and their children. He expressed his appreciation to the Committee.

Gwyn Andersen, Business Manager, Browning Public Schools, outlined the specifics of the bill. She explained, as revenue bonds, the bonds will not be entitled to GTB. Referring to page two, line 28, she explained the district is also given authority to create a debt service reserve. This is necessary because, generally, impact aid money is received in October, however that is not always the case. Should the money be delayed, there will be a sufficient amount in reserve to make payments.

Ms. Andersen provided the Committee with information regarding "General Obligation Bond Limitations" **EXHIBIT (eds39a02)**, and explained how the figures were derived. She also explained local taxpayers in Browning could never repay a general obligation bond for the amount needed. This is why they are requesting the measure be limited to revenue bonds. She outlined the formula as contained in the bill, and indicated her district is willing to negotiate on the maximum amount to be utilized. **Ms. Andersen** stated this legislation is based on a model created in Arizona where the maximum amount of impact aid money which may be used is seventy-five percent (75%); **SB 441** is limited to fifty percent (50%). The bill also excludes federal government guarantees related to students with disabilities because they have a high need in this area. **Ms. Andersen** also provided the Committee with two articles which discuss the history, future, and projected security of impact aid dollars **EXHIBIT (eds39a03)** and **EXHIBIT (eds39a04)**. She stated her district presently sets aside fifteen percent (15%) of their impact aid money for facilities. If the bill passes, they are willing to tighten their budgets even more.

Robert Rise at the Door, Business Owner, Browning, conveyed his support for **SB 441**. He testified he is a former board member and has been actively involved in native issues for many years. He realizes there are many areas where education is struggling. **Mr. Rise at the Door** conveyed his own experiences in business, and how he came to the knowledge that has allowed him to be successful. He reiterated previous testimony regarding overcrowding at Browning High School, and noted they have taken steps to minimize the effects. He explained Browning does not qualify for construction aid from the Bureau of Indian Affairs because they are a state qualified school; and, when the tribe allocates money for construction, very infrequently would the amount be sufficient to cover general obligation bonds of the nature needed for schools. He provided an example of buying an automobile for his son, explaining how he assisted him in the endeavor. His believes this bill will allow impact aid schools to do something similar for themselves. He expressed appreciation to the Committee and requested their support for the bill.

Bob Vogel, Director of Government Relations, MTSBA, conveyed his organization's support for the bill. He also expressed appreciation to the Browning community for the efforts they have put forth thus far, noting how extensive those efforts have been. He requested the Committee recommend Do Pass on the bill.

Informational Testimony:

{Tape: 1; Side: B; Approx. Time Counter: 9 - 9.3}

Lynda Brannon, Director, Indian Impact Aid Schools of Montana, stated she was present solely as an informational witness and was prepared to answer any questions the Committee may have.

Questions from Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Counter: 9.6 - 25.0}

SENATOR BOB STORY asked whether it is correct that impact aid money is held by the county treasurer. **Ms. Andersen** replied in the affirmative, explaining any revenues flow to the county treasurer's office. **SEN. STORY** conveyed his concern over the district's committing fifty percent (50%) of their federal aid dollars to these bonds. He asked if that would result in the district becoming fairly strapped, financially. **Ms. Andersen** replied the fifty percent (50%) may be too high for the Browning area. However, since these bonds are generally issued for ten to twelve years rather than twenty, the district will not be forfeiting money for too long a period. Further, they are willing to lower the maximum. **SEN. STORY** asked whether the federal impact aid funds are flexible enough to be used for this type of project. **Ms. Andersen** responded they have been setting aside fifteen percent (15%), and while this would increase the amount dedicated to facility construction, as well as necessitate changes to present levels of spending, the district does believe the project is viable. **SEN. STORY** restated his question, asking whether there are any federal restrictions on how the money is spent. **Ms. Andersen** replied in the negative, noting schools do not actually need permission from the legislature to spend their money. They are seeking permission to issue revenue bonds.

SENATOR ROYAL JOHNSON inquired how much money is currently available from the fifteen percent (15%) set-asides the district has been doing. **Ms. Andersen** stated, while she did not have the actual figures with her, she believes the elementary account has approximately \$4 million and the high school account approximately half that amount. [An unidentified audience member stated the high school account was presently at approximately \$850,000.] **SEN. JOHNSON** asked for clarification on the twenty-five percent (25%) general obligation bonds aspect of the bill. **Ms. Andersen** responded the district is trying to move away from general obligation bonds entirely. The district would like to present these bonds to their voters as relying upon impact aid revenue. They do not want to change the present Section Two, they would simply like to rely solely on revenue bonds. **SEN. JOHNSON** stated he agrees with the direction the district would

like to take, and asked whether the district's fiscal agent had been a part of the discussion process. **Ms. Andersen** replied in the affirmative. She also emphasized, due to Browning's taxable value, it may be difficult to sell general obligation bonds; another reason for clarifying how the bonds will be guaranteed.

SEN. JOHNSON, referring to page nine, line 17, of the bill, asked **Connie Erickson** if the language made clear that more than twenty-five percent (25%) of impact aid dollars can be used to satisfy general obligation bonds. **Ms. Erickson**, noting she did not draft the bill, stated it seems the intent of language is to clarify the twenty-five percent (25%) is specifically related to general obligation bonds, and not to revenue bonds.

SENATOR BOB STORY, referring to page 13, line 17, of the bill, asked **Mr. Juneau** how the state could prevent the district from receiving federal impact aid. **Mr. Juneau** replied it is his understanding the state may not limit impact aid without permission from the federal government. **SEN. STORY** explained he did not think the state had any influence over whether the tribe can receive impact aid. **Ms. Brannon** explained there are two states which have equalized impact aid money in their school funding formulas. This section prevents the state from doing so during the term of these bonds.

SENATOR TOM ZOOK inquired whether the variable interest rates now available for general obligation bonds is allowable for revenue bonds. **Ms. Andersen** replied she did not know the answer to the question.

SEN. ZOOK inquired whether **SEN. JOHNSON** might know the answer. **SEN. JOHNSON** replied he did not believe there are any restrictions on the type of coupon used on a bond. With this bond, and the type of collateral being utilized, however, he believes it would be more wise to use fixed interest. **SEN. ZOOK** agreed the variable rate may create a problem.

Closing by Sponsor:

{Tape: 1; Side: B; Approx. Time Counter: 25.3 - 25.7}

SEN. RYAN expressed his appreciation to the representatives from Browning who appeared to testify. He believes this bill provides assistance to districts who may have very few other resources. He also expressed his appreciation to the Committee for a good hearing, and requested they recommend Do Pass.

HEARING ON SB 424

Sponsor: SENATOR LINDA NELSON

Proponents: Kris Goss, Education Policy Assistant &
Special Projects, Office of Budget & Program
Planning
Kathy Fabiano, Assistant Superintendent,
Office of Public Instruction (OPI), on behalf
of Linda McCulloch, State Superintendent
Bob Vogel, Director of Government Relations,
MTSBA
Dave Puyear, Executive Director, Montana
Rural Education Association (MREA)

Opponents: NONE

Informational Witnesses: NONE

Opening Statement by Sponsor:

{Tape: 1; Side: B; Approx. Time Counter: 26.1 - 28.9}

SENATOR LINDA NELSON, SD 49, Northeast, Montana, brought forward a bill which revises school finance. She stated she brought the bill at the behest of the Office of Budget & Program Planning. She explained the bill will implement recommendations put forth by the Governor's Advisory Council on school funding. **SB 424** specifies how to apply block grants from **HB 124** to the school funding formula. She briefly outlined each section of the bill.

Proponents' Testimony:

{Tape: 1; Side: B; Approx. Time Counter: 29 - 31}

{Tape: 2; Side: A; Approx. Time Counter: 0.2 - 5.}

Kris Goss, Education Policy Assistant & Special Projects, Office of Budget & Program Planning, expressed his appreciation to SEN. NELSON for bringing the bill forward and conveyed the full support of the Governor's office for the bill. He noted the bill arises from recommendations by the Council on school funding as an appropriate method for ensuring **HB 124** block grants are a part of the school funding formula. **Mr. Goss** outlined each of the mechanisms used by the bill. He again stated the support of his office and urged the Committee recommend Do Pass on the bill.

Kathy Fabiano, Assistant Superintendent, OPI, on behalf of Linda McCulloch, State Superintendent, submitted written testimony **EXHIBIT (eds39a05)**.

Bob Vogel, Director of Government Relations, MTSBA, conveyed his organization's support for the bill. He testified, given present economic circumstances, the limited resources school districts have need to be accounted for very carefully. Although other priorities might exist, **MTSBA** recognizes the work done by the Council and appreciates those efforts.

Dave Puyear, Executive Director, MREA, conveyed his organization's strong support of the bill. Alluding to previous testimony offered to the Committee, **Mr. Puyear** indicated funding for facilities is extremely important in Montana. He believes future years will see this need becoming more and more pervasive; accordingly, he was pleased to support the bill.

Questions from Committee Members and Responses:

{Tape: 2; Side: A; Approx. Time Counter: 5.6 - 8.0}

SEN. JOHNSON asked **Mr. Fabiano** to identify any difference(s) between this bill and the bill heard in Appropriations. **Ms. Fabiano** replied the bill in Appropriations dealt only with the issue of transportation, it did not cover facilities. This bill also funds additional state costs associated with changing the formula with half of the block grant. Therefore, this bill does not have a fiscal impact on the state; **HB 103** has a fiscal impact of \$1.7 million.

SEN. STORY asked whether the reason this bill has no fiscal impact on the state in the area of transportation is because it shifts liability to county-wide mills. **Ms. Fabiano** replied there is no fiscal impact on the state because they are using half of the block grant. There will be an increase in county-wide levies for transportation to match the increase in the state's payment in the amount of \$1.7 million. **SEN. STORY** inquired whether the \$1.7 million is going to the districts to fund their schedules. **Ms. Fabiano** indicated block grants currently go to a district's transportation fund to fund their schedules. **SEN. STORY** asked if the original grants were based on 2001 bus routes, and even if a district no longer had those routes, they would receive the same money. In other words, **HB 124** simply said whatever a district received in 2001 they would continue to receive. **Ms. Fabiano** replied in the affirmative.

Closing by Sponsor:

{Tape: 2; Side: A; Approx. Time Counter: 8.2 - 8.5}

SEN. NELSON noted the Committee's expertise on the issue before them, and expressed her appreciation for a good hearing.

HEARING ON SB 382

Sponsor: **SENATOR EDWARD BUTCHER**

Proponents: **NONE**

Opponents: **Bob Vogel, Director of Government Relations, MTSBA**
Tom Bilodeau, Director Research & Bargaining, MEA-MFT
Dave Puyear, Executive Director, MREA

Informational Witnesses: **NONE**

Opening Statement by Sponsor:

{Tape: 2; Side: A; Approx. Time Counter: 8.9 - 15.5}

SENATOR EDWARD BUTCHER, SD 47, brought forward a bill which would provide for portability in teacher employment. **SEN. BUTCHER** submitted a written opening statement **EXHIBIT** (eds39a06) .

Opponents' Testimony:

{Tape: 2; Side: A; Approx. Time Counter: 16.1 - 28.8}

Bob Vogel, Director of Government Relations, MTSBA, stated, although reluctant, his organization must stand in opposition to the bill. He explained the bill's mandate regarding what a district must accept as experience takes away local control; so too, salary requirements. Although they would greatly appreciate a block grant which pays for "steps and lanes," unfortunately the bill reduces direct state aid to pay for the grant.

Tom Bilodeau, Director Research & Bargaining, MEA-MFT, conveyed his organization is in opposition to **SB 382** for many of the same reasons articulated by **Mr. Vogel**. He stated there are also various technical concerns associated with the bill. With regard to contracts, they vary vastly across the state, but all were bargained for on a local level and contain various methods for providing credit for experience. In other words, each is based

on the individual circumstances of a particular district. **Mr. Bilodeau** also believes the bill will require shifting of personnel which a district may not be able to afford. He briefly outlined the variety of changes the bill will require.

Dave Puyear, Executive Director, MREA, conveyed his organization's opposition to the bill despite understanding the intentions of the sponsor. **Mr. Puyear** stated this bill will encourage schools to consider less qualified teachers because those individuals do not qualify for higher steps and lanes.

Questions from Committee Members and Responses:

{Tape: 2; Side: A; Approx. Time Counter: 29 - 31}

{Tape: 2; Side: B; Approx. Time Counter: 1.4 - 3.4}

SEN. ZOOK inquired whether the number of steps and lanes are a part of statutory law. **Mr. Bilodeau** replied in the negative, stating they are a part of the negotiation process. **SEN. ZOOK**, providing an example of a teacher who may have lengthy experience but is new to Montana, asked if their starting point is negotiated. **Mr. Bilodeau** stated most districts are covered under a collective bargaining agreement. The teacher's education and experience will determine placement, however, most contracts in the state limit the number of years experience a teacher will be given credit for. There are some more recent contracts which allow the district discretion in placing a teacher beyond previous limits. **SEN. ZOOK** asked why a district would want to place a limit on a teacher's experience. If the teacher has ten years experience elsewhere, and is someone the district wants to hire, why would you want to push the person downward; more particularly, if kids are the main concern, isn't finding the best teacher the goal. **Mr. Bilodeau**, noting his unfamiliarity with the history of limitations, stated his guess would be the constraints were probably geared toward controlling potential salary costs.

Closing by Sponsor:

The hearing on **SB 382** was closed without further comment.

EXECUTIVE ACTION ON SB 382

{Tape: 2; Side: B; Approx. Time Counter: 4 - 4.4}

Motion/Vote: SEN. BUTCHER moved that SB 382 BE INDEFINITELY POSTPONED. Motion carried 9-0; with SEN. RYAN voting AYE via proxy, and SEN. ELLIOTT excused.

EXECUTIVE ACTION ON SB 323

{Tape: 2; Side: B; Approx. Time Counter: 6.2 - 31.}

{Tape: 3; Side: A; Approx. Time Counter: 0.3 - 22.7}

Motion: SEN. STORY moved that SB 323 DO PASS.

Discussion:

SEN. STORY explained a subcommittee has met numerous times on this and three other bills. He noted SB 90 was indefinitely postponed on the 19th of February because all necessary concepts are contained within SB 303 or SB 323. He also noted there are several amendments.

Motion: SEN. STORY moved that SB 032301.ACE DO PASS.

Discussion:

Connie Erickson explained the amendment was requested by SENATOR DUANE GRIMES. The amendment addresses concerns regarding inter-local cooperatives and school food services employees.

Vote: DO PASS Motion on SB 032301.ace carried unanimously; with SENS. ELLIOTT and RYAN voting AYE via proxy

Motion: SEN. STORY moved that SB 032304.ACE DO PASS.

Discussion:

Ms. Erickson explained this amendment was recommended by the subcommittee to clarify which salaries will have retirement costs paid from federal dollars, and which will be paid from some other fund. She indicated concerns arose regarding employees who are paid with federal funds. The amendment ensures all retirement costs for employees paid with federal funds, from the date of enactment forward, will be paid out of those funds.

SEN. STORY stated this amendment leaves all employees paid out of state and local funds where they are at present.

Vote: DO PASS Motion SB 032304.ace carried unanimously; with SENS. ELLIOTT and RYAN voting AYE via proxy.

SEN. STORY explained the subcommittee spent several meetings trying to find the best solution to the question of how to pay retirement costs associated with federal money. Several variations were proposed, with each seeming to address only a part of the problem. He also stated that **OPI** informed the subcommittee that problems with the federal government may arise if federal funds are treated differently than state funds. He noted the subcommittee did not reach consensus on the issue.

Motion: **SEN. STORY** moved that **SB 032306.ACE DO PASS.**

Discussion:

SEN. STORY explained the amendment attempts to address concerns about retirement costs by stating that any people who are presently covered by the county retirement system will continue in that manner; new positions will be funded out of the federal money. This is a phase out plan which schools do not care for, particularly small schools, but this was the only compromise--rather than all or none--most likely to work.

SEN. MANGAN asked about the other options considered. **SEN. STORY** replied this amendment represents his option. **SEN. RYAN** proposed the change be based on positions rather than people. **SEN. MANGAN** asked if the subcommittee considered **SEN. STORY's** proposal and the other. **SEN. STORY** replied in the affirmative. **SEN. MANGAN** stated he was in opposition to the bill in any form, was concerned about this amendment, and believes this bill will hurt schools. He does not think this bill is a viable solution to the problem.

SEN. JOHNSON asked whether the subcommittee voted on this amendment. **SEN. STORY** replied in the negative, noting the subcommittee ran out of time to hold additional meetings so the amendments were forwarded to the full committee. **SEN. JOHNSON** asked about the other amendments. **Ms. Erickson** stated the other amendment on this issue attaches to positions; it protects the number of positions on the effective date. This amendment phases-out as new positions become available.

SENATOR MIKE COONEY asked whether a vote on this amendment would preclude voting on the other proposed amendment. **CHAIRMAN GLASER** responded any proposal will be considered. If **SEN. STORY's** amendment passes, the other amendment will be counter to his, however, a motion may be offered and voted upon.

Substitute Motion: SEN. MANGAN made a substitute motion that SB 032307.ACE DO PASS.

Discussion:

SEN. ZOOK stated the reason he would resist this amendment is because the situation is already complicated. This amendment will not allow for a phasing-out of county paid retirement. It maintains the status quo, therefore, he cannot support the amendment.

SEN. STORY stated he too finds maintaining a dual system to be problematic, that was the reason for his proposal. Further, the letter from OPI was fairly clear on the potential for problems if the present system continues.

SENATOR JERRY BLACK stated although he struggled with the question, in the end he agreed SEN. STORY's amendment is preferable.

Vote: Substitute motion on SB 032307.ace failed 4-6; with SENS. COONEY, ELLIOTT, via proxy, MANGAN, and RYAN, via proxy, voting AYE.

Vote: Motion for DO PASS on SB 032306.ACE carried 6-4 with COONEY, ELLIOTT, via proxy, MANGAN, and RYAN, via proxy, voting NO.

CHAIRMAN GLASER stated he requested an amendment be drafted which applies a CPI factor to funding schedules beginning in 2004. Ms. Erickson stated the amendment takes CPI indexing from SB 303 and incorporates it into SB 323.

Motion: SEN. STORY moved that SB 032308.ACE DO PASS.

SEN. STORY inquired if it was CHAIRMAN GLASER's intent to use CPI in the 2004-2005 biennium, or use fixed rates in the next biennium and CPI in the following biennium. CHAIRMAN GLASER's response was inaudible.

SEN. JOHNSON sought permission to ask Amy Carlson a question; without objection. SEN. JOHNSON asked if there is presently any other area in state government where an inflation adjuster is used. Ms. Carlson stated the entitlement share is the only area she knows of doing partial inflation adjustments. SEN. JOHNSON asked whether the revenue department did any type of adjusting. Ms. Carlson deferred to Chuck Swysgood. Mr. Swysgood indicated

there is one law at present having to do with a tax on minerals that has a CPI attached. He believes the bill was passed in 1989.

SEN. JOHNSON inquired whether **Kathy Fabiano** had read the amendment. She replied in the affirmative. **SEN. JOHNSON** asked for her opinion regarding the complexity of implementing this bill with the amendment. **Ms. Fabiano** replied she did not think this will be complicated.

SEN. STORY, conveying his understanding of the amendment, asked **Ms. Fabiano** if indexing begins in the 2006-2007 biennium. **Ms. Fabiano** stated she believes that is correct.

SEN. STORY noted the amendment appears to have a conflict with regard to when indexing begins. He requested necessary changes be made.

SEN. ZOOK, noting the bill does have a substantial cost, asked whether there could be some long-term effects which have not been addressed. **Mr. Swysgood** replied indexing does not begin until the 2006-2007 biennium; the cost is approximately \$10 million the first year. **SEN. ZOOK** asked how the base is determined. He gave an example of the state losing a thousand students during the next biennium, asking does the state start at the beginning or where. **CHAIRMAN GLASER** replied the loss of a thousand students does not change the schedules; schedules are adjusted by the formula. The amount of money distributed is lowered by a thousand students, and CPI is applied to that amount of money.

CHAIRMAN GLASER indicated the state, over the past five years, has nearly kept up with the CPI. This aspect of the bill places predictability in the system for schools. He then briefly expanded upon his assertion, explaining how the state has done so.

SEN. MANGAN, noting he supports this amendment, believes we should place **SB 303** on the table for passage. He continues to disagree with **SB 323** in its entirety, with the exception of the amendment.

SEN. ZOOK, noting **CHAIRMAN GLASER's** research into the issue, inquired how well the state has done with regard to school funding and keeping pace with inflation. **CHAIRMAN GLASER** stated since 1995 the state has, on average, kept up with inflation; but, in the early 1990's allocations were made which the legislature had to take away due to declining revenue ("the great disaster of 1993"). He explained, while the state continues trying to make everyone whole, the money is not always there. He

also stated he would prefer both bills pass as they are somewhat different with regard to the topics covered.

SEN. BLACK, noting **CHAIRMAN GLASER's** participation in some of the 1990's budgets, asked whether an increased budget for salaries was factored into the analysis. **CHAIRMAN GLASER** responded, while not here in 1995, he was a part of the 1997 budget where they did put in a small amount. In 1999, more money was added; then again after the special session.

SEN. ZOOK stated in either the 1989 or 1991 session, the state's portion of school funding was \$802 million. In 1993, when the state experienced a huge shortfall, the state had appropriated nearly \$812 million; an increase of almost \$10 million. However, when the tax proposal was placed in abeyance, the legislature had to make some reductions. For the last biennium, 1.3 billion general fund dollars were appropriated for K-12. **SEN. ZOOK** also conveyed his thoughts regarding how important education has truly been to the legislature.

Ms. Erickson stated subsection 1(b) is not necessary. With its' elimination **SEN. STORY's** concerns will be addressed.

Substitute Motion/Vote: **SEN. JOHNSON** made a substitute **DO PASS** motion on **SB 032308.ACE**, as conceptually amended by striking language in Section 1(B). Substitute motion carried unanimously; with **SENS. ELLIOTT** and **RYAN** voting **AYE** via proxy.

Motion/Vote: **SEN. STORY** moved that **SB 323 DO PASS AS AMENDED**. Motion carried 6-4 with **COONEY**, **ELLIOTT**, via proxy, **MANGAN**, and **RYAN**, via proxy, voting no.

EXECUTIVE ACTION ON SB 303

{Tape: 3; Side: A; Approx. Time Counter: 22.9 - 31.5}

Motion: **SEN. STORY** moved that **SB 303 DO PASS**.

Ms. Erickson noted there were amendments.

Motion/Vote: **SEN. STORY** moved that **SB 030301.ACE DO PASS**.

Discussion:

SEN. STORY explained the subcommittee decided to strike the energy portion of the bill because the state is not in the

financial position to meet that goal. The second amendment changes the scheduling increases to reflect 2/1; this agrees with **SB 323**. The third amendment addresses a school's ability to hold-over any unspent funds for another year. He explained the bill allowed a school to hold money in reserves, however, they had no authority to spend the money. He also stated the bill provides for three-year averaging in the event a district experiences either increasing or declining enrollments [this aspect of the original bill was not modified].

CHAIRMAN GLASER explained the bill also has a mechanism for schools that have an excess of five percent (5%) increase in enrollment. The district may seek additional funds from the Governor's office. He stated present law sets the requirement at six percent (6%).

SEN. MANGAN inquired whether the entire subcommittee agreed to these amendments. **SEN. STORY** replied he believed there was consensus. **SEN. MANGAN** stated the bill was better without the amendments; he prefers the original.

SEN. COONEY inquired whether the CPI language corrected in **SB 323** needed correcting in this bill as well. **Ms. Erickson** replied in the affirmative, stating she would make that change.

Motion carried 6-4 with COONEY, ELLIOTT, via proxy, MANGAN, and RYAN, via proxy, voting no.

Motion/Vote: **SEN. STORY** moved that **SB 303 DO PASS AS AMENDED.**

Discussion:

CHAIRMAN GLASER stated when he began work on this bill he had far higher hopes for its' success. He believes much of the original bill looks to the future, and hopes whatever comes out of the conference committee will address all present concerns.

Motion carried 7-3 with COONEY, ELLIOTT, via proxy, and MANGAN voting no, and RYAN voting AYE via proxy.

EXECUTIVE ACTION ON SB 92

{Tape: 3; Side: B; Approx. Time Counter: 1.9 - 4.3}

Motion/Vote: **SEN. STORY** moved that **SB 92 BE INDEFINITELY POSTPONED.**

Discussion:

SEN. MANGAN stated he believes the Committee is indefinitely postponing the better of the two averaging bills.

SEN. STORY stated there is a difference between the two bills: **SEN. RYAN's** only allows averaging when enrollment is declining. It is a more expensive bill in that regard.

Motion carried 6-4 with COONEY, ELLIOTT, via proxy, MANGAN, and RYAN, via proxy, voting NO.

EXECUTIVE ACTION ON SB 267

{Tape: 3; Side: B; Approx. Time Counter: 4.5 - 26.4}

Motion: **SEN. STORY** moved that **SB 267 DO PASS.**

SEN. STORY indicated there was an amendment.

Ms. Erickson noted there were a number of amendments to the bill, therefore she decided to create a gray bill.

SEN. STORY briefly explained the amendments.

Motion/Vote: **SEN. STORY** moved that **SB 026702.ACE DO PASS. Motion carried unanimously; with SENS. ELLIOTT and RYAN voting AYE via proxy.**

Motion: **SEN. BUTCHER** moved that **SB 026701.ACE DO PASS.**

Discussion:

SEN. BUTCHER explained he believes any bonus should be subject to at least a partial repayment of student loans; thus, the reason for this amendment.

SEN. STORY noted this proposal was presented to the sponsor in subcommittee and he was not particularly open to the idea. **SEN. STORY** asked whether it was **SEN. BUTCHER's** intention that all bonus money go toward loan repayment. **SEN. BUTCHER** replied in the affirmative.

SEN. BLACK stated the amendment is too restrictive. He would be more amenable to the proposal if the it were for perhaps fifty percent (50%).

SEN. ZOOK, noting **SEN. BUTCHER's** intentions, stated he believes debt is a rather private issue.

SEN. MANGAN stated the legislature has a very good student loan repayment bill already, thus he is against this amendment.

Vote: Motion on SB 026701.ace failed 2-8 with **BUTCHER** and **JOHNSON** voting AYE, and **SENS. ELLIOTT** and **RYAN** voting NO via proxy.

Motion/Vote: **SEN. STORY** moved that **SB 267 DO PASS AS AMENDED**. Motion failed 5-5.

Motion/Vote: **SEN. JOHNSON** moved that **SB 267 BE INDEFINITELY POSTPONED**. Motion failed 5-5.

EXECUTIVE ACTION ON SB 212

{Tape: 3; Side: B; Approx. Time Counter: 27 - 29.8}

Motion/Vote: **SEN. ZOOK** moved that **SB 212 BE INDEFINITELY POSTPONED**. Motion carried 6-4 with **COONEY**, **ELLIOTT**, via proxy, **MANGAN**, and **RYAN**, via proxy, voting NO.

EXECUTIVE ACTION ON SB 424

{Tape: 4; Side: A; Approx. Time Counter: 0.6 - 10}

Motion: **SEN. MANGAN** moved that **SB 424 DO PASS**.

Discussion:

CHAIRMAN GLASER indicated there was an amendment.

Ms. Erickson stated the amendment was at the request of **SEN. RYAN** and **SENATOR LINDA NELSON** was agreeable to its contents.

Motion: **SEN. MANGAN** moved that **SB 042401.ACE DO PASS**.

Kathy Fabiano, Asst. Superintendent, Office of Public Instruction, explained the amendment allows a district to deposit combined block grants into any district budgeted fund rather than restricting deposits. Her office believes this is appropriate because under current law a district may transfer funds between any budgeted funds with the exception of their general fund.

SEN. STORY inquired whether the amendment would allow a district to move funds from a permissive levy fund to another fund. **Ms. Fabiano** replied districts may do so under current law.

Vote: Motion carried 7-3 with **BUTCHER, JOHNSON, and ZOOK** voting NO; **SENS. ELLIOTT and RYAN** voting AYE via proxy.

Motion/Vote: **SEN. MANGAN** moved that **SB 424 DO PASS AS AMENDED**. Motion carried 8-2 with **BUTCHER and JOHNSON** voting NO; **SENS. ELLIOTT and RYAN** voting AYE via proxy.

ADJOURNMENT

Adjournment: 7:00 P.M.

SEN. BILL GLASER, Chairman

TARI ELAM, Secretary

BG/TE

EXHIBIT (eds39aad)